

**JOHN DE LA HOWE SCHOOL
MCCORMICK, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

August 24, 2018

Dr. Sharon Wall, Interim Superintendent
John de la Howe School
192 Gettys Road
McCormick, South Carolina 29835

We have performed the procedures described in Attachment 1, which were agreed to by the management of the John de la Howe School (the School), on the systems, processes and behaviors related to financial activity of the School for the fiscal year ended June 30, 2018. The School's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the School. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the School has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.

This report is intended solely for the information and use of the governing body and management of the John de la Howe School and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to John de la Howe School (L12)

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$2,500 and 10% for the General Fund, \$10,500 and 10% for the Earmarked Fund, and \$5,000 and 10% for the Restricted Fund.
2. Randomly select ten cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$80,000 and 10% for the General Fund, \$30,000 and 10% for the Earmarked and Restricted Funds, and \$5,000 and 10% for the Federal Fund.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by the School procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by the School procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the School, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures, inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

Cash Disbursements/Non-Payroll Expenditures (Continued)

6. Randomly select fifteen non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Procurement Card Transactions

7. Haphazardly select ten procurement card purchases and inspect documentation to determine:
 - The cardholder is an authorized user.
 - The purchase is reasonable based on the cardholder's position.
 - The monthly purchase statement was submitted along with applicable receipts and signed by both the cardholder and supervisor.
 - The transaction did not exceed the single transaction limit or the individual credit card limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Payroll

8. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$80,000 and 10% for the General Fund, \$30,000 and 10% for the Earmarked and Restricted Funds, and \$5,000 and 10% for the Federal Fund.

9. Randomly select ten employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the School.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the School.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

10. Inspect the one bonus pay disbursement to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Transaction was appropriately documented and approved.
11. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the School's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

Payroll (Continued)

12. Haphazardly select thirteen employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the School's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
13. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.
14. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

15. Randomly select five journal entries and/or transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Appropriation Act

16. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
17. Confirm compliance with the selected agreed-upon School-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

Finding:

During our inspection of the appropriation act work program, the School did not submit a report regarding fair market rental value of residences furnished to State employees to the Agency Head Salary Commission and Department of Administration as required.

Management's Response:

John de la Howe School agrees with and accepts the finding concerning no report submission and has instituted corrective measures to ensure the agency submits the fair market rental value report to the Agency Head Salary Commission and Department of Administration.

In the future, the fair market of residences will be double checked to assure timely submissions.

Composite Reservoir Accounts

18. Obtain a listing of the School composite reservoir accounts and confirm with the School management that the listing is complete.
19. Obtain fiscal year monthly reconciliations for the composite reservoir account and for three of the reconciliations, perform the following procedures:
 - Determine the selected reconciliations were timely performed, reviewed, and properly documented in accordance with applicable State regulations, and are mathematically correct.
 - Agree applicable amounts from reconciliations to the general ledger.
 - Agree applicable amounts from reconciliations to the State Treasurer's Office monthly reports.
 - Determine if reconciling differences were adequately explained and properly resolved.
 - Determine if necessary adjusting entries were made in the accounting records.
 - Obtain a reconciliation of applicable composite reservoir account balances to the liability for assets held in custody for others and determine mathematical accuracy.
 - Agree the reconciled balance of the liability for assets held in custody for others per the reconciliation to the general ledger.
20. Inspect five composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the School's policies and procedures and State regulations and that they were recorded in the proper fiscal year, and that any retention or remittance of revenue is supported by law.
21. Inspect five composite reservoir account disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the School's policies and procedures and State regulations, were bona fide disbursements of the School, were paid in conformity with State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.
22. Inquire with School staff of plans for closing student accounts and the processing of student accounts that were closed during the fiscal year.

We found no exceptions as a result of the procedures.

Governance, Risk and Compliance (GRC)

23. Select all three controls identified through the South Carolina Enterprise Information System (SCEIS) GRC system and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedures.

Minutes

24. We will inspect the School's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.

John de la Howe School Foundation

25. Obtain and inspect the agreement between the School and the Foundation and obtain background information on the Foundation to determine if there are any areas of noncompliance.

We found no exceptions as a result of the procedures.

Alumni Association

26. Obtain and inspect the agreement between the School and the Alumni Association and obtain background information on the Association to determine if there are any areas of noncompliance.

We found no exceptions as a result of the procedures.

School Policies and Procedures

27. Inspect School financial policies and procedures to determine the effectiveness of current processes.
28. Inspect the internal control assessment forms, provided to and completed by management, confirming areas of noncompliance, if any. This does not include testing controls and their effectiveness. Inspect whether procedures are in place based on responses provided, inquiries, and observations made.

We found no exceptions as a result of the procedures.

Status of Prior Findings

29. Through inquiry and inspection, determine if the School has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.